

Property Tax Exemption Committee

September 22, 2003
MACo Conference Room
2715 Skyview Drive, Helena, Montana

MINUTES

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed. Committee tapes are on file at the Department of Revenue. Exhibits for this meeting are available upon request.

COMMITTEE MEMBERS PRESENT

Sen. Walter McNutt
Sen. Jeff Mangan
Rep. Pat Wagman
Mack Cole
Gary Hickle
Dwaine Iverson
Randy Wilke
William Parker

COMMITTEE MEMBER EXCUSED

Rep. Gary Branae
Jim Oliverson

STAFF PRESENT

Pete Fontana, Department of Revenue
John Grimm, Department of Revenue
Brad Simshaw, Department of Revenue
Rocky Haralson, Department of Revenue
Jackie Williams, Department of Revenue
Prudence Gildroy, Secretary

AGENDA & VISITORS

Agenda (ATTACHMENT #1)
Visitor's list (ATTACHMENT #2)

COMMITTEE ACTION

Election of Officers

CALL TO ORDER AND ROLL CALL

The meeting was called to order by Sen. Walter McNutt, Sidney at 8:30 a.m. and introductions were made.

Sen. Walter McNutt, senior senator on the committee, said he would chair the meeting and if he is elected chair he was willing to serve.

Mack Cole, former state senator, is a county commissioner in Treasure County.

Gary Hickle, Yellowstone Boys and Girls Ranch, said he is representing the not for profit sector.

Bill Parker, Superintendent of Schools in Malta, Montana was representing K-12 public schools.

Sen. Jeff Mangan, Great Falls

Rep. Pat Wagman, Livingston

Randy Wilke, Administrator, Property Assessment Division, Department of Revenue.

Staff was introduced:

Pete Fontana, Appraisal Specialist, Department of Revenue

John Grimm, Regional Manager, Department of Revenue

Brad Simshaw, Tax Policy and Research, Department of Revenue

Rocky Haralson, Program Specialist, Department of Revenue

Jackie Williams, Support Staff, Department of Revenue

Election of Officers

Sen. McNutt assumed they would want a chair and a vice-chair. He indicated they would then discuss the budget. Mr. Cole nominated Sen. McNutt as Chairman. Mr. Hickle nominated Mack Cole as Vice-Chair. Sen. McNutt said he would entertain a motion for unanimous ballot for the two members and Sen. Mangan so moved. The motion carried on a voice vote.

Overview of Material

John Grimm, Department of Revenue, advised Brad Simshaw and Pete Fontana would present an overview of the property tax process from evaluation to the assessment to the actual generation of the tax bill. There would also be a report by Dallas Reese, Department of Revenue, on property tax exemptions and property exempt from taxes. Then Rocky Haralson would cover the application process for property tax exemptions. Lee Heiman, Legislative Services Division, would review the laws.

Sen. McNutt advised the charge of the committee was to determine whether property tax exemptions contribute to or impede an equitable property tax system. Out of that discussion and decision there will possibly be some legislation that needs to be introduced at the next session. It would be up to the committee what direction they want to go.

Introduction to Property Tax

Brad Simshaw and Pete Fontana, Department of Revenue

Brad Simshaw presented an overview of the property taxes, which he called “The Property Tax Primer.” He said when talking about taxes the question must be asked “which taxes.” The property tax bill contains fees besides what mills are paid. It is important to ask what perspective is being viewed and to associate taxes with services provided. A statement written to Governor Roy Ayers in 1936 showed property tax was considered an unfair burden at that time, particularly as it applied to real estate. The Montana Constitution directs that the state shall appraise, assess, and equalize the valuation of all property that is to be taxed. This is the driving force of a major part of what the Department of Revenue does. The committee is charged with making policy decisions regarding property taxes. He noted the Property Tax Reform Committee met and struggled with the issue of perspective when it came to looking at data. He presented a pie chart of State Revenue Sources for FY 2002. The total revenue from all sources was about \$3.1 billion and property tax was 5% of this picture or about \$170 million to \$180 million. Another chart was presented showing total expenditures of \$3.1 billion. Health and Human Services and Education were the largest expenditures. A graph showed \$903 million in property tax paid when schools and local government were included. There was \$6 million or \$7 million in natural resource taxes, which could be considered property tax.

Mr. Cole advised the property taxes would then be \$903 plus \$7 million. Mr. Simshaw said that was correct. The legislature allocates the portion that comes to the general fund. Property tax is the largest tax paid in Montana and is a main issue legislators and local government officials always have to deal with. It is more than income and corporate taxes, natural resource taxes, and selective sales taxes. He presented a bar graph of Property Taxes Levied by Taxing Jurisdiction. This was from the perspective of the service providers—state government, local schools and cities and towns. The committee may have to take a look at the \$909 million in property tax revenue, consider some property is exempt and determine if that is fair. If that property was not exempt, the revenue might be higher. The policy choice was made by the legislature, but was subject to review by the committee. He explained a page from the Biennial Report, which the Department of Revenue produces prior to each regular legislative session. Market valuation in 2002 was \$46.488 billion. The legislature sets the laws and determines which property they will value. The Department of Revenue is charged with doing that. Taxable valuation was \$1.7 billion statewide and \$615 million in cities/towns. The tax rates are set by the legislature. The role of the Department of Revenue in all this was by statutes telling them which properties will be taxed, which properties must be valued, and how they are valued. Most properties are valued at 100% of market value. Agricultural

land is valued by productive capacity. They just went through a reappraisal cycle, which takes place every six years. He explained the functions of property taxation. The state is responsible for valuation, application of exemptions and taxation. The counties are responsible for billing, collection and reconciliation.

Pete Fontana, Appraisal Specialist, Department of Revenue, presented the Property Tax Appraisal Process. (*Tape 1, Side B*) An appraisal is a judgment or estimate of value as of a specific date. The Department conducts reappraisals, which include land and improvements to the structures and buildings as well as personal property for business (i.e. furniture and fixtures). There are five levels of appraiser qualification and certification in statute and rule. The first thing that takes place in the appraisal process is determining market areas. A market area is the environment of the subject property that has a direct immediate effect on value. A map was presented of the market areas in Montana that showed how counties were grouped together. There are three valuation methods in any appraisal process. This is the accepted practice in the fee appraisal world also. The market or comparable sales approach is always the preferred approach. What the property sells for is incumbent on what similar property sells for in the same jurisdiction. The cost approach is the replacement cost of the property plus the value of the land less the depreciation. The income approach is designed to target commercial properties. Commercial investment properties are purchased on the anticipation of future benefits. The market or comparable sales approach uses sold properties of similar characteristics to value a subject property that hasn't sold. The sales are adjusted for differences. The cost approach is accomplished by determining the replacement cost new of a structure less any depreciation attributed to that structure and then adding back in the land values. It is more difficult to apply the cost approach to an older structure. The income approach to value requires the development of basic data sets of income and expense information depending on the type of property or income producing property being appraised. It is applicable in valuing apartments, commercial properties, and retail and office buildings because those properties are bought and sold on the income they produce. The Department of Revenue conducts mass appraisal because it is cost effective, efficient and financially feasible. The appraisal process starts with a discovery of new property, new construction, land subdivisions, etc. Agricultural land is valued on its productive capacity. A subdivision on agricultural land would create a different type of valuation. The data collection phase is the largest part of a reappraisal effort. Every six years they are required to examine every property, construct new valuation models, and have appraisers look at all the properties to make sure everything is recorded on the tax rolls. In the analysis phase, they identify units of comparison, consider the stratification of data, decide which data elements and variables to use, and perform the reconciliation of the three approaches to value. A major factor that drives the appraisal process is the equalization clause in the Constitution. The equalization of property values is an important step that insures uniform treatment of groups or classes of property. To maximize equalization, assessments should be based on current market value. If all properties are at 100% of full market value, then equalization has been achieved. He explained the quality assurance program of the department.

Mr. Simshaw presented a table of Tax Year 2002 Valuations by Tax Class. He explained there are twelve classes of property numbered 1-13. Class 11 has been gone for nine or

ten years. Class 4 is split into residential and commercial and it is the largest class of property. That is why legislators and local government officials most often hear from commercial and residential property owners who make up 70% of the property tax base. Class 6, Livestock, was made exempt by the legislature in SB 200 in 1999 as of tax year 2003. Class 8, business equipment, was reduced to 3% from 6% in 1999. There is a trigger in law that if certain economic conditions are met that 3% tax rate will be reduced to zero and that class of property will be exempted. The impact if the trigger were to hit is \$118 million or 6.89% of the total tax base. State and local governments would be looking at a tax base that is about 6.89% less than it is right now. If that property is exempt and the tax base is less, they are providing about the minimum services they can. If they still want to provide those services, there is only one way to do that—to raise mill levies. The tax burden is shifted to the remaining properties. There is a wide range of tax rates across the tax classes. Values are appraised at 100%, but are taxed at different tax rates. The legislature is charged with valuing property at 100%, but setting different tax rates is within the scope of the legislature and its policy-making decisions. He explained a chart of Property Tax Calculation of Selected Tax Classes for Tax Year 2003. The policy decision of the legislature regarding the new reappraisal was a phase-in over a six-year period. (*Tape 2, Side A*) In an example the increase from \$82,600 to \$100,000 reflected the appreciation of that property over time. The legislature decided not to tax that property at the taxable value of \$100,000, but decided to phase it in over the six-year period. A homestead exemption of 31% is applied. The tax rate is 3.4%, which the legislature changed from 3.46%. Then the mill levies (481.11) are applied. Commercial properties follow the same mechanism, but the Homestead/Comstead exemption is 13%. Class 9 Utilities are assessed every year. The next table presented was Calculation of Property Tax Liability for Tax Year 1993. The difference in this chart was there was no phase-up or exemption. The tax rate was applied to market value to get the taxable value; the mill levy was applied for the total tax liability. The average mill levy at that time was 346.71. The next table was an Example of the Impact of Property Tax Exemption and the Impacts to a Single Property and Other Property in a Taxing Jurisdiction. In order to generate a certain amount in property tax revenue, mill levies will be increased. The tax paid that would have been paid by the exempt property was paid by all the rest of the property. He explained the assessed value for taxing purposes which is determined by law passed by the legislature. The Department of Revenue annually sets the assessed value of all property except Class 3 (agricultural land), Class 4 (residential and commercial), and Class 10 (forest land). Those classes are reappraised on a six-year cycle. Utility property is assessed annually. The property tax bill was explained. There are three pieces—the valuation, tax rate and mill levy. Mill levies are set by the legislature at 95 mills for K-12 education, 6 mills for the university system, and 1.5 mills for counties that have a vocational technical center. The six mills are subject to a vote of the people every ten years. County commissioners annually set mill levies for counties and miscellaneous taxing jurisdictions. The average mill for counties is 106. Average miscellaneous mills (fire districts, mosquito districts, etc.) are about 14. The average city mill is 117 and city commissioners set mill levies for cities. School boards set local school district mill levies annually and that average local school mill levy is about 176 mills. The average for countywide mills is 40. He explained a chart of Taxes Levied on the Montana Property Tax Bill, Tax Year 1993-2002. There was a 50% increase in

market value due to growth over the ten-year period. There is a slight decrease in taxable valuation due to the phase-up and the 31% exemption. Class 6 property is exempt in 2003. Although there is new property and market value has increased 50%, taxable value has remained relatively the same. From the viewpoint of local governments or county commissioners, they have the same services but more of them to provide in 2002 as they did in 1993 but the tax base has remained the same. There was a 38.8% increase in property tax collected with an increase in mill levies and fees. He thought the increase in mill levies was probably a little more than what inflation would have been over the same period. Decisions have been made in the past ten years that have held the taxable valuation constant. He explained a chart of Estimated Statewide Average Mill Levy Changes from Tax Year 1999 to Tax Year 2002 (Fiscal 2000 to 2003). State assumption of welfare was included. From the point of view of the taxpayer, mill levies have gone up. From the point of view of County Commissioners they have to provide services and this is how much tax they need. Table 8 showed the mill levy for tax year 2002 for each county. The mill levies range from a high of 660.10 for Deer Lodge County to a low of 211.52 for Rosebud County. Part of the reason Deer Lodge County is high is it's a consolidated city/county government. Table 9 showed the total mill levy (includes all mills levied for state, county, school and city/town purposes) for tax year 2002 for each city and town in Montana. The mill levies ranged from a high of 1,009.58 for Westby to a low of 213.24 for Colstrip. The largest tax bases are Missoula, Billings, Great Falls, and Colstrip.

Mr. Cole asked if that means there just needs to be more energy development. Mr. Simshaw indicated Colstrip has a rich tax base from the power plants there. Mr. Cole said when they incorporated they made sure the plants were included. Mr. Simshaw thought the mill levy of 1009 in Westby was due to something voted. The department did a study with the hypothesis the mill levy set in a city and county is highly related to the taxable value of that area. There were some correlations, but not as strong as they thought there would be. There are cultural differences between cities. A study by the Minnesota Taxpayers' Association showed Montana ranking 32nd in property taxes paid in a statewide comparison.

Sen. Mangan asked if that included all levels. Mr. Simshaw indicated it did. It would include property tax paid in mill levies and not fees. The study chose Billings and if they were to do the same study and choose Westby, Montana would rank 15th. If they were to choose Colstrip, Montana would rank 49th. He warned they would see comparisons across states of property tax and Montana might rank high or low. If policy is set for one area of the state, it will impact another.

Mr. Cole asked about SB 200 and the equipment tax trigger. He wondered if it might kick in this year. Mr. Shimshaw replied the trigger is reached under certain economic conditions, a change in wages and salaries adjusted for inflation. It is specific on which measures to use—U. S. Department of Labor numbers. The calculation is not done until the following month. If the numbers don't change, the trigger will not hit. The calculation done at the end of June would have hit the trigger, but the numbers changed.

Mr. Parker asked when they consider market areas, how do they factor in oil and gas production. (*Tape 2, Side B*) Mr. Fontana replied that areas rich in oil and gas production, such as Richland County fifteen years ago, drove the value of the houses up. It certainly had an impact on the value. Now that oil and gas production is down, the value of property is down because there is an oversupply. Mr. Parker asked if that is reflected in the market and Mr. Fontana said absolutely; it is reflected in the sold property. Mr. Parker asked when they do standard deviations etc., if they have a different formula for market areas. Mr. Fontana said they build a mass appraisal model. In any one of these market areas there might be four or five built. For example, Billings would have its own valuation model based on the sold properties in Billings and even further down than that, the sold properties in a neighborhood versus something that sold in Musselshell County. There will be more than one valuation model that determines what deviations were of the average sale price. Mr. Parker inquired when they do their R-squared if they find any market differences. Mr. Fontana stated the R-squared (the coefficient of determination) will tell how competent the model is in a prediction of value based on sold property in the model. If there are 1000 properties in Billings and the R-squared is 95, it is able to predict all the variables they put in with 95% confidence. They are highly confident that those variables that show the square footage are a significant predictor of the value. In the more market rich areas, the r-squared will have a higher confidence level than in areas of limited sales. In market rich areas the R-squared is a lot higher because there is a large population in the mass appraisal model—more sales.

Mr. Parker asked Mr. Simshaw about the countywide mills and retirement. Schools are required to take retirement out of federal grants starting this year and fully next year. Mr. Simshaw asked Jim Standaert, Legislative Services Division, if he was on a committee that was looking at these types of issue. Mr. Standaert advised mills will go down as federal grants pay retirement. Mr. Parker said out of a \$100,000 budget, there would be \$12,000 to \$14,000 in retirement and that's how much it will have an effect. Countywide funds will decrease 14%.

Sen. Mangan asked Mr. Parker if it would mean county-wide mills will go down because there is going to be some offset more than likely for some school districts. Mr. Parker said there are some offsets and they are in different areas. The money will be saved and the mill levy countywide will go down. He will have to reduce staff and supplies. The local income level for Phillips County just went down. Local business goes down because of the \$12,000 to \$14,000. Special Education is just about \$100,000. There are a lot of offsets.

Sen. Mangan asked Mr. Simshaw about the total expenditures chart and what the 5% economic development entails. Mr. Simshaw indicated he had no answer for that but would find out.

- Break 10:15 a.m. -
- Reconvene 10:30 a.m. -

Sen. McNutt introduced Lee Heiman, Staff Attorney, Legislative Services. He would do a presentation on Laws Relating to Property Tax Exemptions. The Constitutional basis for property tax exemptions is in Article VIII, Section 5. In the 1889 Constitution it was in Article XII, Section 2. These laws are permissive and what can be exempt in the list in the Constitution is not automatically exempt. Churches are not automatically exempt by the Constitution, but they are in the list of what can be exempt. The state does not tax governmental property, etc. The 1972 Constitution in Subsection 1-C says “any other classes of property”. In the 1889 Constitution the legislature was limited to a fairly narrow band of property that could be exempted. Now, any class can be exempted. He pointed out the beneficial use tax where a piece of property owned by a governmental entity is basically not taxable, but is if a business leases a section of property that the government owns or leases a government owned building and runs a for profit corporation or for profit business, that commercial interest in the governmental property is taxable. One of the big ones in the state is the BPA power lines. There is a right of various electrical producers to transmit electricity through those lines and that property right is taxed. In Subsection 2, the legislature may authorize special improvement districts and charge against tax-exempt property for those. A church might be exempt from property taxes, but a sewage fee or some other kind of fee is levied by the local government that benefits that property can still be levied against the church. There are three basic types of exemptions: governmental, charitable, and exempting something from property tax and imposing other taxes on it. In Montana all property is subject to taxation unless otherwise provided. A third type is the economic incentive. Things are exempted for economic development such as spaceports, equipment for building space ships, malting barley facilities, etc. It is determined (within a class of property) that the economic worth of having those entities start up is worth more than the taxes that could be collected. Examples were exempting livestock or cutting the business personal property taxes. Things such as zoos have no economic value, but have a societal value. Some of the economic development exemptions tend to be short term. A lot of times, these incentives need the approval of local governments and schools. Sometimes the incentives only apply to a certain part of the property taxes. The expanding value-added machinery and equipment exemption provides for the difference between 3% and the existing rate of 3%. The existing rate may go down, and he felt whatever happens should be looked at. The exempt categories are in 15-6-201, MCA. The use of these exemptions is narrowly interpreted by the Montana Supreme Court. If a church owns half a block, only the church itself may be exempted from the property tax. The playground and the parking lot are not exempt. It is not the ownership of the property necessarily that has the exemption; it's the use of the property.

Mr. Cole asked who determines the exemptions concerning the church, i.e. the parking lot, etc. Mr. Heiman advised there are court cases and administrative rules written about this. It is always a matter of concern by both sides.

Mr. Parker asked about new and expanding industries. There have been several local governments go into industry. The local government owns a well and has been selling the proceeds. He wondered about the property tax. Mr. Rocky Haralson, Department of Revenue, advised he wasn't sure about the net proceeds, but the exempt statute says if a

governmental entity owns it, no use test applies. If there is a well house, there is a statute that exempts down hole equipment whether it is a governmental entity or an actual oil company. If there is a building or anything else on the property, by the fact it is a governmental entity, it is automatically exempt.

Sen. Mangan didn't think local government considers those things like water as profit. They charge residential customers for water. If Great Falls bought the power plant and decided to sell power on the open market whether that power could be taxed or not is a good question.

Mr. Parker said if he were an entrepreneur and had some school funds to use, it would reduce his taxpayer's obligation if he could start making revenue in his school district. He would reduce every taxpayer's obligation.

Sen. McNutt questioned what Mr. Heiman said about the church dwelling being exempt and not the parking lot, and he wondered if that is being done. Mr. Haralson indicated they ask for submission of the site plan. The recreational areas have been determined to be non-exempt. They have allowed an exemption for a reasonable amount of parking area to facilitate the use of the church itself. There are churches that have set aside playground or recreational areas. Due to some State Tax Appeal Board decisions, the law is specific—a reasonable amount necessary to use these buildings for actual religious worship and the parsonage. The parsonage cannot exceed one acre. They have given what is called a partial exemption. Sen. McNutt asked if the church buys the half a block adjoining their property, it's not automatically tax exempt and could still be taxed. Mr. Haralson said they have to make application each time. Every time an entity purchases a piece of property, unless it's a governmental entity, they have to make application, supply the supporting documentation that's required, and if they meet the ownership and use test as defined by law then the Department grants the exemption. *(Tape 3, Side A)* Mr. Heiman explained the list of exempt categories is in 15-6-201, MCA and the percentages for the phase-in are listed in this statute. Exemptions that require more detail are in 15-6-202-227, MCA. He explained the exemption for intangible property. Intangible property is something in which a legal right has been established such as stocks, bonds, goodwill, franchises, etc. There was a difference in how those were being taxed for property tax purposes and the decision was made that intangibles would not be taxed any more because of the problem of keeping track of them and valuing them.

The beneficial use tax in is 15-24-1203, MCA where a governmental entity owns a piece of property and someone else has a property right in that property. This allows for taxation of commercial interests on governmental owned property. This is important in Montana because of the amount of federal property in the state. One of the things that is not subject to the beneficial use tax is the beneficial use of public lands for recreation, mineral, timber or grazing leases that are not exclusive—when there is more than one use such as a ski area in the winter and cows grazing in the summer.

A city and a county can set up RIDs and SIDs—local improvement districts—and these districts have to provide some kind of a benefit to the property. It could be parking

garages, curbs and gutters, sewers etc. There is no property tax charged for those improvements but a fee is assessed. The fee can be assessed based on value, which works well for regular property, but there is also assessments based on square footage amount, frontage, size of water pipe, etc. Those are a fee for service or a fee to pay for capital improvement. Even if property is exempt, it still pays that assessment. Even if a church is exempt from property taxes, it still is subject to those fees against the property.

The 501 (c) (3) designation makes a corporation exempt from income taxes if there is a charitable use according to federal law. The IRS regulations allow corporations to apply for and get qualified. Once they are qualified, the major advantage is donations can be deducted by the donors. When the corporation is set up, there can't be any unusual pecuniary benefits to the owners, stockholders or the employees of the corporation. It is an income tax entity and has nothing to do at all with property taxes. They do use the 501 (c) (3) in property taxes occasionally because it is a shorthand method for making certain entities meet at least a certain threshold of being a charitable organization. They can use 501 (c) (3) together with something else and allow the property that is used in a certain way an exemption. He gave the example of a cabin he leases from the Nature Conservancy, a 501 (c) (3) corporation. He pays the property taxes on the land because he agreed to in his lease with them. They pay property taxes on all their property because they don't qualify under the rest of the charitable requirements in Montana law. They are prohibited from charging him a minimal amount for the lease because they could funnel money that way. The cabin is appraised and a reasonable amount is paid for the lease. There is no automatic property tax exemption for 501 (c) (3) corporations.

Mr. Wilke asked Mr. Heiman if his recommendation is that the 501 (c) (3) should not be the single criteria for getting exemptions. Mr. Heiman thought it provides a good handle on what an entity is. If the federal government pulls the qualification, the state is protected as well. He couldn't imagine just giving them a property tax exemption. There are a huge number of 501 (c) (3) corporations. Mr. Wilke asked how to find out if a 501 (c) (3) has been pulled by the federal government. Mr. Hickle indicated the tax analyst service prints out those that have been. They produce a book that lists all 501 (c) (3)s. The IRS site might have that listing.

Chairman McNutt introduced Dallas Reese, Tax Policy and Research, Department of Revenue. Mr. Reese presented information on property tax exemptions. The focus was on property tax exemptions and abatements that have been granted on real and personal property. A property tax exemption or abatement can exclude all or part of the entire assessed value of property from taxation. Abatements are typically granted by local government entities and forgive all or a portion of the property tax liability owed to the local government unit. The information in his report came from the Computer Assisted Mass Appraisal System (CAMAS) and the department's Montana Ownership Database System (MODS). His report did not include information on the tax-exempt properties of government entities. For some specific properties that are given an exemption or abatement from property tax liability, the department has created class codes that allow the department to electronically apply the correct tax rate. His report was based primarily on the use of those class codes. The department does not have unique class codes for all

property that is granted an exemption or abatement. In many cases, they use an all-encompassing class code for a wide variety of exempt properties. It includes churches, fraternal organizations, hospitals, community service buildings, etc. The property tax liability is calculated in a multiple step process. First the department determines the assessed value of the property and that is multiplied by a tax rate specific to a particular class of property. That formula produces the taxable value, which is then multiplied by the mill levy to equal the tax liability. The mill levy includes the mills levied for state purposes and also all of the local government mills as Mr. Simshaw reported. The same process is used for all classes of property, except in Class 4 those properties receive either a homestead or a comstead exemption. The Class 4 tax rate is 3.4%. Personal property is in Class 5, Class 8, or Class 9. The tax rate for Class 5 and 8 is 3% and the tax rate for Class 9 is 12%.

The exemptions and abatements were discussed. The most commonly used is the property tax assistance program (PTAP), which provides property tax relief to low-income homeowners. It applies to residential real property and mobile home owners. The tax rate applied to the property is reduced, which reduces the tax liability. The reductions apply to the first \$100,000 of market value, after applying the 31% homestead exemption. Included in this value are the eligible improvements and up to five acres of appurtenant land. The reduction in tax rate is based on the income of the individual. The homeowner is still responsible for full payment for any fees or special levies due on the property. The land component includes all land in the applicant's name, up to the five-acre limit. Any land in excess of five acres is assessed and taxed at full value. Improvements include the residence and one attached or detached garage. Additional improvements are taxed at full value. For purposes of the PTAP, mobile homes do not have to be classified as real property. Personal property mobile homes also receive the 31% homestead exemption. Because of the variable tax rates based on the income of the applicant, it is also necessary to create three separate categories for each component of ownership. Statewide, there is about \$305 million of market value associated with these properties. (*Tape 3, Side B*) Applying the statewide average mill levy to the reduced taxable value of the PTAP properties yields an estimated decrease in tax liability of \$2,080,159.

The Disabled American Veteran Exemption is granted for the residence of a disabled or deceased veteran and the property owner is entitled to a 100% exemption from property tax liability after meeting certain qualifications. The surviving spouse may also receive the exemption if the veteran was killed while on active duty or died as a result of a service-connected disability and certain eligibility requirements are met. The veteran has to submit the application annually. If these veterans were required to pay property taxes, they would have a property tax liability of about \$950,000. These properties are responsible for local levies. Under the terms of SB 65, passed by the 2003 legislature, single disabled veterans earning more than the current maximum of \$30,000 or a married disabled veteran earning more than the current maximum of \$36,000 will also become eligible for property tax relief. This will begin on January 1, 2004. The new income limits are \$39,000 for single and \$45,000 for married disabled veterans. The surviving spouse of a disabled veteran is also given a higher income threshold for receiving a

partial reduction in tax liability. It is estimated that in future years the reduction in property taxes related to DAV program will increase slightly because of this addition to the eligibility requirements.

Sen. Mangan asked if there is a special application process for PTAP and the DAV exemption. Mr. Reese indicated there are two separate applications. For the PTAP, notice is published in the newspapers letting people know the application process is open so they can contact the department and get the proper forms.

Mr. Cole asked if that is published in all newspapers in the state. Mr. Reese advised it is published in all of the major daily newspapers. He wasn't sure about weekly newspapers and offered to check on that.

Sen. Mangan asked about Table 3 and wondered if the \$2 million figure is an actual figure from exemptions that came in under that program during the fiscal year or was it projected. He wondered how much money is being exempted each year based on actual applications. Mr. Reese advised the \$2 million is an estimate of the impacts. In order to calculate the actual dollar amount they would have to apply the mill levy specific to that particular levy district for that property. The estimate of statewide impact uses the average mill levy throughout the state. Sen. Mangan asked if it was a fair statement that in 2002 and 2003 the state exempted approximately \$2 million under PTAP. Mr. Reese advised the \$2 million would include the lost tax revenue for all taxing entities—both state and local for tax year 2003. There would have been a reduction in taxes associated with these properties of just over \$2 million.

Mr. Reese continued that other properties can receive a tax exemption. Those include those devoted to religious, charitable, education or non-profit health care purposes. In order to receive the exemption, the owner of the property must make application and provide proof of eligibility. Mobile homes of certain military personnel can be exempted, or abated, from tax liability while the owner is on active military duty. The estimated tax loss associated with these exemptions is based on a statewide average mill levy of 475 and is estimated to be \$13,222,528. These include land under a parsonage, lands owned by a community service organization, hospital, etc. Exempt commercial land is the largest category. Also exempt are residential, commercial and Ag/Forest exempt improvements. Besides military mobile homes, mobile homes of other tax-exempt organizations are included. The owners are still liable for the fees or special levies assessed by the local taxing jurisdiction.

Abatements are a reduction in taxable value of property. They phase in the taxes associated with the properties by applying the reduced tax rate over a certain period of time. New industry improvements or the expansion of existing improvements are eligible for an abatement. The local governments with jurisdiction over the property must adopt a resolution that identifies the improvements and the value associated with the expansion of the improvements. The local government may grant the abatement based on a schedule specified in 15-24-1502, MCA. The property owner submits a copy of the resolution to the department to receive the benefits. The resolution and abatement does not apply to

existing improvements. The tax rate is phased in over ten years. There is a reduction in property tax revenue for local jurisdictions of \$461,146.

There are also abatements for remodeling of existing commercial, research and development or residential improvement. The abatement must be approved by the local government affected. It does not affect the mills levied for state purposes. The tax rate is phased in over a five year period. Property taxes are estimated to be reduced by \$616,485. He explained tables summarizing real property exemptions/abatements.

When a party applies for an exemption for the personal property tax liability, a lump sum value of all personal property is included along with a description. In tax year 2003, personal property exemptions were \$14.9 million. The majority of these exemptions are vehicles used by property tax exempt organizations. Furniture and fixtures, office equipment, and medical equipment are also included. Most exemptions are based on charitable, educational, non-profit health care activities and for providing services to the developmentally disabled or mentally impaired. Abatements can also be applied to personal property. Abatements are available for new and expanding industry—air and water pollution control equipment in Class 5, machinery and equipment in Class 8, and Electric and Gas companies in Class 9. The estimated loss of revenue to local governing bodies for personal property tax abatements is \$771,840. Abatements typically apply to an increase in taxable value caused by remodeling or expansion while exemptions void the tax liability of a property based on its use or ownership. It is estimated the reduced property tax revenue from exemptions and abatements of real and personal property is just over \$17 million for 2003.

- Break 11:50 a.m. -

- Reconvene 12:40 p.m. -

(Tape 4, Side A)

Chairman McNutt introduced Rocky Haralson, Appraisal Specialist, Department of Revenue, who presented the application process for property tax exemption. Mr. Haralson stated one of his primary duties is the granting and denying of property tax exemptions controlled by 15-6-201, MCA. He receives applications, looks at supporting documentation, and then makes the determination to grant or deny a property tax exemption. PTAP and DAV are done locally. Everything covered under 15-6-201, MCA is submitted at the local office and sent on to him. There are forms for personal property and real property. The local staff fills out a portion of the form. The form is sent in to Helena by administrative staff for specialist review. Most properties must meet an ownership and a use test by statute. Governmental entities are exempt. For a 501 (c) (3), the use of the property must be determined. The supporting documentation comes into play, and he has to make sure it meets all the applicable tests as defined by statute and administrative rule to make a determination on whether the property is granted an exemption or not. State Tax Appeal Board and District Court decisions can set precedents that are used as guidelines. If an application is lacking in some of the documentation, a letter is sent requesting additional documentation. If that is not furnished in 30 days, the application is denied. Once a decision is made, an appeal goes

directly to the State Tax Appeal Board. He explained a chart of Property Tax Exemption Tests. Exemptions are either permanent or annual. If there is a name or use change, exemption status may change. Applications must be submitted by March 1 of the current tax year. Administrative rules come into play for transfer of ownership during the tax year. Partial exemptions are granted to churches, etc. Examples of application forms, documentation, and form letters were shown. There has been a decision by the Supreme Court and the department tries to follow it—that they are to presume taxation rather than exemption unless the legislature has specifically exempted it. That is the reason for the application process. The timeline is important because local governments need to know their taxable values so they can set mill levies. He noted he does more granting than denials.

Mr. Hickle asked about the application form and where the categories refer back to under “type of property exemption claimed.” Mr. Haralson advised it refers back to 15-6-201, MCA.

Sen. Mangan asked where there are loopholes or problem areas. Mr. Haralson advised no matter what they pass in law there will always be determination problems. Fifty percent of his workload involves vehicles. All a personal property exemption on a vehicle does is relieve the property tax aspect or about 70% of the total licensing fee. The other specials inherent in the licensing have to be paid. The workload is substantial for those and he questioned whether it is really a benefit. He mentioned church camps fell into the category under the educational statute. Under most exemption statutes there is a limit on land size. Even on property tax assistance, it is five acres and one building. The religious exemption is adequate for convenient use of the building (a parsonage) and only up to one acre. The statute has no limit and some entities have gained their 501 (c) (3) and have established church camps. In one area, even after consulting with legal staff, an applicant met all the requirements to gain exemption and there were approximately three sections of land involved. They are starting to see larger tracts of land in the exemption process. If there have been improvements on the property it has been a precedent that vacant land can’t really meet a use test. If there had been structures on this, there would have been 1200 acres in Powell County that would have been granted an exemption. Regarding the three sections, most of it was grazing land. It is in a high impact recreational area—Madison County. He wondered what would happen in the future. Another statute said if it is over 160 acres contiguous ownership, it can meet agricultural status. The impact is not near as great as if it were tract land or non-qualified agricultural use. For recreational land along the Madison River or Flathead Lake, the dollar amount of exemption for the market value for those properties is substantial. He thought that needed a closer look by the committee. The issues were the workload aspect and the inherent savings and the lack of limitation under the educational exemption. Unions were typically not granted an exemption. They are a membership organization for profit and they are now offering training. Those properties are being granted exemptions under educational use statute.

Chairman McNutt asked if each individual vehicle has to be applied for separately. Mr. Haralson replied yes. They track VIN numbers on a spreadsheet. He uses the value

placed by Motor Vehicles for licensing purposes. They have compiled that data for about a year and a half. It is possible to get an idea of the actual impact by exemptions on motor vehicles. He gets applications from pastors for motor vehicles. Nothing in the religious statute allows that unless it is a bus that transports children back and forth to church camps and church activities. The bus is granted an exemption but not the pastor's personal car. Charitable organizations that use vehicles for administrative purposes fit the definition and are granted an exemption. He thought there might be inequity depending on point of view.

Mr. Parker asked if he had a number that tells what churches and religious organizations do pay in taxes. Mr. Haralson advised that would be difficult to obtain. They can run queries and reports but then they will have to identify by name. There is no special code for churches and there are a lot of properties in that category. Land gifted to churches is taxable. (*Tape 4, Side B*) Mr. Parker asked if they assign numbers on the exemption. Mr. Haralson replied application numbers tell him what county, the sequential order it came in, and what year he granted the exemption. There is a code on CAMAS for the exemption application that says it was granted either under the religious, non-profit health care, etc., but that is only for those granted an exemption. They don't have another code on the CAMAS system for religious organization, common taxpayer, fraternal organization, etc. Mr. Parker said if they were to make any suggestions on religious property, he thought one of the arguments would be that churches do pay taxes. They need to know what taxes are paid. He previously thought all church property was exempt. Mr. Haralson said Geraldine Welfare Farm was granted an exemption in Choteau County within that certain criteria. Other than that example, if it's not used for religious worship or is a parsonage, it is taxable property.

Mr. Cole asked about private schools and if they are all exempt. Mr. Haralson said it depends if they come under the educational aspect. They are required to be recognized or have a definite curriculum. Regarding home schools, he needs to see enough documentation that he feels comfortable. Mr. Cole asked if a home school property would be exempt. Mr. Haralson said not necessarily. If someone is home schooling in their house and they want part of their house or their house to be exempt, he wouldn't go along with that. The State Tax Appeal Board of District Court would have to sort that out. Mr. Cole asked if a small private school of five children would be exempt. Mr. Haralson said if they are accredited and have a curriculum and furnish all the requested documentation.

Sen. Mangan indicated he was still trying to determine if there is a problem and how they are going to address it. He requested some data from the staff that shows the number of exemptions and the dollar amounts in 1993 versus the last fiscal year in 2003 to see if there was a significant increase or not. Mr. Haralson thought they had data from 1993 on the real property side. Sen. Mangan said it could also be 1995 or 1997—just so he could see if there is a correlation. Mr. Haralson indicated they could not provide data on the personal property. They never tracked personal property exemptions, just the applicant, application number and what year. They didn't track dollar amounts until about a year

and a half ago. Sen. Mangan said that was fine as it looked like the most significant area was the real property.

Chairman McNutt commented for his last four sessions in the Senate, they've heard this tax exempt status is getting out of hand and they needed to take a really good look at it. He thought what Sen. Mangan was asking for will give an idea of where it was, where it is and some ideas of where it's going. He wondered how many applications Mr. Haralson gets a month and if it is on the increase or if it has been the same for the last ten years. Mr. Haralson thought he processes 150 to 175 monthly, which included personal property of which the biggest percentage is vehicles. Chairman McNutt asked if it is increasing. Mr. Haralson asked Mr. Wilke to respond. Mr. Wilke thought it is static now, but ten years ago it was probably only half of that.

Mr. Hickle asked if they are concerned about dollar value. He wondered if the increase in vehicles is up a lot and if he was able to classify that. Mr. Haralson advised they tracked personal property vehicle values only for the last year and a half. It is more of a workload issue for the benefit received and the fact they have to work in conjunction with motor vehicles. A lot of the vehicles only have a twenty-day sticker. They try to process those as quickly as possible. Mr. Hickle asked if it would basically be the real property where they could see trend lines and Mr. Haralson responded yes.

Mr. Parker said conservatories are a huge issue in Montana and he hears a lot about colonies and expansion. Because of the nature of colonies, when there are many residents, they will want to buy more land and have another colony. He wondered about conservatories, tax exemptions and colonies. Mr. Haralson replied they grant partial exemptions to religious colonies. There is a church where regular religious worship is conducted and there is typically a parsonage. All their other land and buildings are taxable and they pay taxes on it. He asked Mr. Hickle to define what he meant by "conservatories". Mr. Hickle said his perception was most conservatories still pay all property taxes and he wanted to know about that. It seemed to him a conservatory could make a huge case for an educational site—to say they are studying the black footed ferret on the 80,000 acres, hypothetically. Mr. Haralson said it would possibly require a legal opinion. From his point of view, he looks for a classroom type setting regarding the educational statute. Conservatories are taxable at this point—anything other than what is listed under 15-6-201, MCA. Conservatories that have conservation easements are along the same lines. They look at additional applicable laws—if they are greater than 20 acres and less than 160 then they fall into the non-qualified agricultural classification. If they are greater than 160 acres contiguous ownership, then they fall into the agricultural land classification.

Mr. Parker asked if there is any tie to any kind of PILT—especially for school district there is a lot of land that is BLM federal land, etc. He asked if there is any connection between PILT payments to counties and tax exemptions. Mr. Haralson advised they set a value on a payment in lieu of taxes as if it were there. That is how the determination is made on how much they will pay the local entities. Mr. Wilke said it is not linked to an exemption and Mr. Haralson said no.

Mr. Hickle asked how prevalent is this PILT payment in the state and if it was just certain cities or certain land like BLM land or statewide. Mr. Haralson said it was only certain counties. Mr. Parker thought it was only certain lands—Fish and Game, BLM, CMR, Forest Service, etc. Geographically it is a lot of land. Mr. Haralson said that is more or less an agreement. Mr. Hickle indicated it's at the local level and doesn't really involve the state at all. Mr. Haralson said they make the determination. Mr. Parker asked how they value different lands. Mr. Haralson indicated there is an advisory committee set up by the legislature every reappraisal. They determine the market value from the sharecrop aspect and the use determines the classification. The values per acre are set by that committee every cycle. Mr. Parker asked about state sections and how they factor in property tax on equipment, etc. He indicated every county has designated state sections. Mr. Haralson said the designated school sections are owned by the state and are exempt. Mr. Parker said most of the school sections he knew of were leased and are either grazed or have mineral rights and some income attached to them. Mr. Haralson advised exemption statutes say they don't look at mineral rights. It is a governmental entity so they don't have to show use, just ownership. The beneficial use aspect specifically mentions that if it is used for agricultural purposes, they are not going to apply the beneficial use tax to that property.

Chairman McNutt asked if sprinkler irrigation equipment is Class 8. Mr. Haralson said yes and it is exempt. It is specifically mentioned in the statute.

Rep. Wagman asked about PTAP and how long it has been in place. Mr. Wilke responded it has been in place a long time—at least thirty years. It has been modified—it used to be for seniors and there was an age criteria. Former Sen. Dorothy Eck got it modified so now it is basically driven just by income. Those thresholds continue to change each year based on the cost of living. Rep. Wagman indicated surprise it wasn't senior oriented and Mr. Wilke said it was at one time. Rep. Wagman expressed surprise it only showed \$2 million and wondered if people are just not taking advantage of it. Mr. Wilke agreed it was a fair statement that a lot of people are not taking advantage of it. Rep. Wagman thought in that aspect, it is probably not a fair tax if not everybody is aware. Mr. Wilke did not think that would make it unfair necessarily. He thought it should be expanded. Some people just don't want to do it. Mr. Haralson said they submit ads every year to every county paper for the property tax assistance and the DAV. Local property tax people meet with groups to advise them. He noted seniors often develop the attitude it is like welfare and they don't want to take a handout.

Mr. Parker expressed concern about helping elderly citizens. He asked the Department of Revenue to comment on how we are helping the elderly with taxes. Mr. Haralson mentioned the Property Tax Assistance Program. The legislature just enacted the Extended Property Tax Assistance Program for the high impact areas such as Whitefish that were affected by high reappraisal values. They have the 2 (e) (c)—an income based credit for the elderly. Mr. Fontana said it is an income tax program based on how much property tax is paid, versus income. He also mentioned the homeowner renter credit. He said one could apply for both programs. Mr. Parker asked if it is only based on income.

He cited an example of income being only \$15,000 a year, but assets being a \$1 million lodge near Big Sky. He wondered if there is any factoring of that. Mr. Wilke said there is not. The first \$100,000 is exempt.

Chairman McNutt asked for public comment and indicated it doesn't have to pertain to this topic. In the last session, a law was passed that when there is a public comment, it doesn't necessarily have to pertain to this committee. There was no public comment forthcoming.

Discussion:

Sen. McNutt thought they should discuss what the committee needs to achieve. The resolution that was passed said they need to determine whether property tax exemptions contribute to or impede the goal of an equitable property tax system. They are supposed to report the findings of the committee to the next legislature. He wanted the discussion to center around tax exemptions and the areas that Mr. Haralson talked about. He asked Lee Heiman to contribute to the discussion. The vehicle issue was to be discussed and whether to modify it or just continue it. (*Tape 5, Side A*) He wondered if the committee thought it was worth pursuing. Rep. Wagman asked if they could ask staff more global questions about the intent of past legislature, the reasons for the exemptions and what they were trying to accomplish with the exemptions and whether they see that working or not working. He didn't know why a lot of the exemptions are in place. Sen. McNutt thought there could be a report to the members.

Mr. Cole thought some of these exemptions came about because of a certain need and benefit. He agreed some have served the purpose for which they were originally passed. This committee should be taking a look at some of these exemptions to see whether they are really fair, equitable, still viable, etc. He thought there are a lot of exemptions—although some of them may be beneficial the expense of processing many of these things is a factor. Fairness is an issue. Some of these were for one-time and they became permanent. Rep. Wagman agreed, but asked how to get to that point. Chairman McNutt said all the committee will do is propose in a report. Part of that report might be just an analysis of the exemptions, why they're there and if they are effective or not. He didn't feel technically qualified to judge whether it contributes to or impedes an equitable tax system. If they looked at some data, they might be able to get closer to that issue. It will depend on which perspective it is looked at. He asked if the department can produce that analysis. He felt some exemptions could not be fussed with.

Mr. Wilke referred back to Mr. Heiman's material and asked if they were looking at the information on page 4 through page 8 or all statutory exemptions. He wondered how much time they would have to dedicate to that. Those pages contain a lot of material. Legislative Services would like the exemption laws to be rewritten in a more user friendly, topical way. He thought Mr. Heiman is prepared to do that. Mr. Heiman advised the Revenue and Taxation Committee would like to take 201 and break it down. Some of it is left over from the 1899 Constitution and some things changed with the 1972 Constitution. That is one of the things the Revenue and Taxation Committee was

working on. He and Jeff Martin, Legislative Services, were hoping to put it together. They would not change any substance but wanted to make it readable and possible to find things you were looking for. He indicated he has been involved with almost everything after Subsection E. He felt he could tell them why a lot of those exemptions came about. Some are redundant now. He thought this section could be cleaned up. He said he had been involved within most of those sections that follow 201 and he could give them a lot of the stories behind many of those exemptions. Mr. Wilke suggested they could follow up with some examples of some of those to get a feel for what organizations are being successful because of getting an exemption.

Chairman McNutt asked if Mr. Heiman is involved with the Revenue and Transportation Committee also. Mr. Heiman replied yes. Chairman McNutt said he could convey the message this committee would undertake that task. Mr. Heiman agreed. Mr. Wilke asked Mr. Heiman if he would give an historical perspective. Mr. Heiman said he would. Some exemptions were important 10-15 years ago, but the tax law has changed enough so they are no longer needed. Categorization was an issue.

Mr. Hickle asked if the dollar amount in the DAV program is dropping yearly. He thought it would be going away unless there is another world war. Mr. Reese said he did a historical study on that for a previous committee and the dollar amount and the number of applicants is dropping yearly. SB 65 will expand some of the income limits and may cause a temporary increase in the number of properties eligible for the DAV, but if the trend continues the number of participants will continue to drop. Mr. Hickle asked if the bill will increase the PTAP arena. Mr. Reese said no. Mr. Wilke stated there are about 1000 folks eligible for DAV currently and with the new legislation it would go up to 1400. Mr. Hickle said 1000 people is very specific and it could be asked why just 1000 people are being subsidized. He wondered if they would be discussing why to exempt charities at all. He said “fair and equitable” gives a different slant as opposed to “why charities at all”. Chairman McNutt said the committee can look at that but maybe they’d rather not. He said it is a tough call.

Mr. Hickle said he would defer to the chair. The energy exemption is a technical issue and he didn’t know if that is still a relevant exemption or not. Chairman McNutt thought the overview would help them make those judgments.

Mr. Cole expressed a concern with the 501 (c) (3)—how it is used, who uses it and if it has some effect on the state. Mr. Heiman indicated he can pick out places where the exemption rests on a 501 (c) (3) designation and how it affects the state. Chairman McNutt asked what that has to do with property tax and personal property and real property tax exemptions. He thought the Revenue and Transportation Committee might want to look at that. He thought it was beyond the scope of this committee. Mr. Cole thought they might have some effects on property and conservation. Chairman McNutt asked if there is a pre-requisite to have a 501 (c) (3) before getting an exemption on property. Mr. Haralson said it is a qualifying criteria on a lot of charitables. Most religions are under the 501 (c) (9) designation by the federal government. That is not the driving criteria—their exemption is religious organization. They are not required to get

this status, but must show they are a religious corporation with bylaws, etc. Mr. Cole said there could be some correlation. Mr. Heiman read the requirements for a public charity from the statute. Mr. Wilke reiterated the amount of time is an issue. Based on timing, he thought they could consider topical area No. 4 and the property tax rate adjustment section and then property tax incentives. His notion was to focus on reviewing the existing language and historical perspective. They could compare Montana's law with surrounding states. He thought having examples of organizations that benefit from exemptions and STAB or court decisions driving some of that and whether existing law makes sense or not or whether there should be one at all.

Chairman McNutt asked Mr. Heiman to address the educational statute. Mr. Heiman said it is one of the old ones from 1889. Chairman McNutt indicated if that is of concern, the committee should take a look at it and make a recommendation. Maybe they could recommend a limit of x amount of acres instead of three sections or more. Mr. Grimm thought the department could put together a report of the exemption status of other states.

Mr. Parker thought it was important to say how many good thing exemptions accomplish. He hoped the committee would recognize all of those groups who add to quality of life.

Chairman McNutt addressed committee business concerning the budget. He thought they could get together at least on more time. He thought the information should be sent out and then the committee could come back together and discuss it. Mr. Heiman thought he could have his report in a month and Mr. Grimm thought so as well. Mr. Heiman thought a conference call might be appropriate to discuss the material but a formal meeting setting would be needed to make some kind of recommendation to make sure the committee is in agreement. Mr. Cole thought they could get all the information and have a conference call in February. Recommendations need to be done by September 2004. Sen. McNutt said between now and the end of November information would be dispensed to committee members. In January they could try a conference call. They can decide about the next meeting and he suggested it be before June 1, 2004. *(Tape 5, Side B)* They will try to get everybody they can on the conference call. Mr. Cole asked if at the main meeting they will try to make recommendations. Chairman McNutt agreed. If there are problems, they may need to have another meeting. Mr. Grimm said after this meeting he should have a handle on how much was spent and if two additional meetings are possible.

Mr. Parker asked if he had a change in the exemption process how he would present that to the committee. Chairman McNutt indicated he should write up what he is proposing and get it to the committee members. A legislator will have to request a bill draft. The department can request one, but a bill sponsor will be needed. Some of these issues are controversial and some aren't. Serious thought needs to be given as to whether it's worth the effort. If it is worthwhile and the committee thinks so, a couple of the committee members are going back to the legislature. It would be nice if one of them would carry the bill coming out of the committee.

Chairman McNutt thought if that was done, hospitals wouldn't necessarily close but rates would certainly go up. This would further impact the cost of medical care. Mr. Ahrens indicated some hospitals couldn't pay—larger facilities could easily.

Minutes read and approved by _____

Senator Walter McNutt, Chair	Date
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Mack Cole, Vice Chair	Date
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